

Metlakatla Indian Community

Assessment of Management Capacity Indicators

Lynn Kenealy, LGS
Rural Utility Business Advisor (RUBA) Program
Division of Community and Regional Affairs
Department of Commerce, State of Alaska
February 6, 2014

Introduction

The Metlakatla Indian Community report was completed by Rural Utility Business Advisor program staff, Lynn Kenealy, as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the Juneau regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The Metlakatla Indian Community is a federally-recognized tribe of the Annette Island Reserve, the only federal Indian reservation in the State of Alaska. Metlakatla is incorporated as a municipality under federal law, and is unincorporated under state law. The Municipality of Metlakatla is governed by officials elected by tribal members within the community. Elected officials include the 6-person tribal council, the mayor, the secretary, and the treasurer. The community is located on the west coast of Annette Island, 15 miles south of Ketchikan. Metlakatla is a traditional Tsimshian village, employed predominantly by subsistence and commercial fishing; and tribal and federal employees. The community is powered by a near-by hydroelectric plant, and is accessible by ferry, boat, and float plane. The community provides filtered and chlorine treated gravity-fed water at a rate of about 600 gallons per minute during the winter and up to 1,000 gallons per minute during the summer. The utility can store up to a million gallons, which can provide for the community for a minimum of eight hours in case of an emergency. The treatment plant is flushed approximately twice per week, and the distribution system is flushed approximately twice per year. The community provides wastewater treatment through two aerated lagoons, a sludge pond, and effluent discharge through an ocean outfall.

There are some individual septic tanks on the island for which the community provides pumping services.

Village Safe Water has provided several water treatment plant upgrades over the past five years, including automating much of the treatment plant system and installing several treatment upgrade processes. The community's distribution lines are now in need of several replacements and upgrades. Much of the community lies on muskeg, and the high level of acidity in this terrain is breaking down several of the distribution line pipes. Additionally, the region is prone to frequent earthquakes, and some lines have broken or are at risk of breaking as a result of this. Utility staff would also like to intertie a number of dead ends in the distribution lines. Wastewater collection lines are also in need of similar upgrades.

The Metlakatla Indian Community operates and manages the following utility services:

- Water treatment class 2 and distribution class 1
- Wastewater collection class 1 and treatment class 1
- Cable television (though this utility may be discontinued within the next few years)
- Garbage haul and landfill

Capacity Indicators

On February 5-6, 2014, RUBA staff Lynn Kenealy met with Metlakatla Indian Community staff to complete a RUBA Assessment of Management. City staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- General fund (including water/wastewater) account summaries
- Water/garbage/sewer aging report, January 22, 2014
- Customer statement samples, February 4, 2014
- Sample requisition form and corresponding purchase order
- Blank receipt
- Electric bill statement and payment
- Sample check
- Water/garbage/sewer trial balance, January 31, 2014
- Transaction activity report (accounts payable), January 1-31, 2014
- Bank reconciliation report, September 30, 2013
- Metlakatla Law & Order Code Chapter 5.06, Water Supply and System Maintenance
- Water/garbage/sewer billing procedure guideline
- Metlakatla Law & Order Code Chapter 5.09, Personnel Policies and Procedures
- Performance appraisal (evaluation; blank)
- Organizational chart
- Metlakatla Indian Community Tribal Council Regular Minutes, January 14, 2014
- Tribal Council public posting (copy)
- Metlakatla Indian Community 2012 CCR

- (Various photographs evidencing insurance coverage, preventative maintenance manual, safety manual, etc.)

Utility Finance

Essential Indicators

Yes	No	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	All revenue and expenses for the utility are listed in the utility budget.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adopted a balanced realistic budget.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Monthly financial reports are prepared and submitted to the policy making body.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is current paying all water/wastewater electric bills.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses and Repair and Replacement (R&R) costs.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	YTD revenues are at a level equal to or above those budgeted.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	YTD expenditures are at a level equal to or below those budgeted.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	A monthly manager's report is prepared.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Budget amendments are completed and adopted as necessary.

The Metlakatla Indian Community operates on the fiscal year of July-June. The community has not adopted an FY14 budget, and thus is not able to meet related indicators. The treasurer provides a financial report indicating balances in each fund category (specifically: port, smoke shop, tourism, water/garbage/sewer, cable, gaming, and general funds). However, no profit and loss or balance sheet is provided at this time. A verbal report is provided to the tribal council monthly by the treasurer along with the fund balance report.

Water/wastewater customer fees have not been increased since 2005. There are no meters, and therefore fees are assessed monthly at a flat rate for water/garbage/sewer of \$45 for resident members; \$57 for resident non-members; and \$59.40 for commercial customers. According to the January 22, 2014 aging report for water/garbage/sewer, 53% of customers are delinquent on payment. Despite insufficient revenues from water/wastewater customers, the community does have sufficient revenue to cover the cost of water and wastewater services. Revenue from the smoke shop and gaming sufficiently subsidize the cost of water/wastewater services to the community.

Metlakatla Power and Light provides electricity for the community and water utility. Electric bills are coded to the appropriate account, and charged accordingly to that fund (such as to the water/garbage/sewer fund). Payments are made monthly, and were evidenced as such. Annette Island Gas provides fuel to the community and utility, and there are sufficient funds to cover fuel costs.

Accounting Systems

Essential Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has adopted a collection policy and actively follows it. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility bills customers on a regular basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts receivable system is in place which tracks customers and reports past due accounts and amounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | An accounts payable system is in place. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The payroll system correctly calculates payroll and keeps records. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A cash receipt system is in place that records incoming money and what it was for. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a cash disbursement system that records how money was spent. |
-

Sustainable Indicators

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A chart of accounts is used that identifies categories in a reasonable, usable manner. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly bank reconciliations have been completed for all utility accounts. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts. |

The community utilizes Microsoft Access for all accounts receivables, and IBM I-Series for all payroll and accounts payables, including a chart of accounts. The accounting file in each system is accessible on any finance staff computer throughout the building. There is strong segregation of duties in the accounting department, including an accounts receivable clerk, an accounts payable clerk, payroll, a cashier, grants staff, and a treasurer who provides purchasing approvals, budgets, supervision, and reconciliation to finance staff.

Utility bills are sent out within the first week of every month and are due for payment ten days after mailing. If payment is not made, notices are issued and the accounts receivable clerk contacts the customer by phone to notify them of the delinquency and attempts to identify solutions to the payment issue. According to the community's collection policy, if payment is not received within 20 days, service is to be terminated until payment is made in full. Subsequent to termination, if payment is still not received, the account is turned over to the Metlakatla Tribal Court for collections, then Ketchikan Credit Bureau or District Court of Alaska for collections. Currently, terminations are not being carried out, though upon 90-day delinquency, the account is being turned over to the Metlakatla Tribal court for collection. Accounts are not being forwarded to Ketchikan Credit Bureau or District Court of Alaska for payment. The current 90-day delinquency collection rate is approximately 47%. As the community does not wish to utilize shut-offs as a means of collecting on utility debt, they are considering revising the collections policy to reflect this. Further collections tools will be necessary to improve the delinquency rate.

The community receives many payments through cash. When cash is received, the cashier notes payment in the general fund account as an accounts receivable, tallies and itemizes each payment, and deposits cash into the bank daily. There is no cash disbursement.

Each employee is responsible for a timecard, which is signed by two supervisors (the direct supervisor, and a Metlakatla Indian Community official). The timecards are tallied by the payroll clerk and entered into the accounting system, along with any leave slips. Payroll is processed after garnishments and withholdings are factored in, and checks are signed by the appropriate supervisor, then distributed to employees.

Reconciliation is completed monthly in phases first by the treasurer and then entered into the system by the finance director.

When utility staff require a purchase, a requisition form is completed including the vendor, department, quantity, part, description, purpose, unit price, and extended price. Finance staff links the request to an account code for that department, then the request is authorized by the treasurer. A purchase order is completed and signed by the staff member designated with purchasing authority, and the item is ordered by the utility staff member. Final payment is made by the purchasing authority and reconciled through the above-noted reconciliation process.

Tax Problems

Essential Indicators

Yes	No	NA	
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility has a system to accurately calculate, track, and report payroll tax liabilities.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on filing federal and state tax reports.
<input checked="" type="checkbox"/>	<input type="checkbox"/>		The utility is current on making federal and state tax deposits.
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	If there are any past tax liabilities or tax liens filed, a payment agreement has been signed and repayments are current.

The community utilizes IBM I-Series accounting systems to compute payroll and related liabilities. The community is compliant on all IRS tax requirements as of December 18, 2013; and on all State of Alaska tax requirements as of December 13, 2013.

Personnel System

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and uses a personnel policy, which has been reviewed by an attorney, AML, or DCCED for topics and language.
<input type="checkbox"/>	<input checked="" type="checkbox"/>	The utility has adequate written job descriptions for all positions.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequate written hiring process.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has a probationary period for new hires that includes orientation, job-training/oversight, and evaluations.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility provides training opportunities to staff as needed and available.

The community's worker's compensation insurance is provided by AK National Insurance Company, and was verified as of February 7, 2014.

Chapter 5.09 of the Metlakatla Indian Community Law and Order Code, as amended last in October 2002, provides for personnel policies and procedures. The chapter was reviewed by an attorney before being adopted by the council. Section 5.09.05 provides for a recruitment process, including job announcement, application, interviews, appointing authority, and orientation. All new employees begin with a 90 day probationary period, as provided in Subsection

5.09.05(K)(1). An employee performance program is discussed in Subsection 5.9.10(A), and is to be provided at the end of each employee's probationary period and annually thereafter. A Performance Appraisal form is used for all employees which discusses several areas to be evaluated, and also includes space for manager and employee comments. On-site training is provided to all employees, and several employees have been sent to additional training, both through RUBA, and federal trainings provided throughout the country. See Organizational Management for more discussion of staff training.

Community staff report that job descriptions are currently outdated, and there may be several positions without job descriptions. The community's personnel officer is auditing all job descriptions and updating or creating job descriptions at this time.

All employee files include I-9 forms, job applications, and a signature page indicating that employees have read and attest to the employee handbook and to their position and classification. This serves as a letter of acceptance.

Organizational Management

Essential Indicators

Yes	No	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The entity that owns the utility is known and the entity that will operate the utility is set.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body is active in policy making of the utility.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body enforces utility policy.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained manager.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained bookkeeper.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has an adequately trained operator(s).
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility has adopted an organizational chart that reflects the current structure.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The policy making body meets as required.
<input checked="" type="checkbox"/>	<input type="checkbox"/>	The utility complies with the Open Meeting Act for all meetings.

Metlakatla Indian Community Law and Order Code Chapter 5.06 provides for water supply and system maintenance, including a provision requiring the community's council to establish, operate, and maintain all services, ownership, and policies. The council meets monthly, and though they are not required to follow the Alaska Open Meetings Act, all meetings are posted throughout the community well in advance of meetings, and all community members are welcome to attend in an open meeting format. Meeting minutes are maintained and are available upon request. An organizational chart provides for all Metlakatla Indian Community staff, as supervised by the council, then the mayor/city manager. Each department then has an officer who supervises all employees under that department.

The utility has a newly-elected mayor and secretary, who are being encouraged to attend OMB circular, management, and RUBA trainings over the coming year. The treasurer has been in this position for eight years, and all finance and public works staff have been in their positions for at least as long, with a few exceptions of employees hired over the past few years who are being

trained under the supervision of more experienced employees. All employees are encouraged to attend trainings, and RUBA trainings have been attended three times.

Operation of Utility

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The manager receives a monthly O&M report from the utility operator and routinely “spot checks” the facilities to see that the maintenance items are being completed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are still unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its <u>Consumer Confidence Report</u> (CCR). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility meets all required regulations (is not on the <u>Significant Non-Compliance</u> (SNC) list). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility maintains an inventory control list. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility maintains a critical spare parts list. |

The primary water operator has taken the provisional certification exam multiple times, and is still attempting to pass the exam. The public works director will also begin working toward certification shortly, and it has been recommended that the back-up operator begin efforts as well. Despite not having passed the requisite exam to date, the water operator has maintained all water testing and safety requirements, and has been working in the plant for many years. Various water testing requirements are completed daily, monthly, and quarterly by the primary water operator at various points in the treatment plant and throughout the distribution system. The community is not on the Significant Non-Compliance list, and is up to date on all Consumer Confidence Report requirements as of February, 2014.

The public works director is the manager for the water utility. He conducts spot checks of the plant multiple times daily, completes maintenance as necessary with the assistance of the back-up operator, and receives updates and status reports as needed. He conducts safety meetings and maintains safety manuals and preventative maintenance plans for all water/wastewater operations. Safety meetings are not currently being documented. The public works director maintains both an inventory control list and critical spare parts list through the purchase order and invoicing process. This will be expanded upon with the assistance of the Asset Management Program, to be installed by SEARHC beginning in May, 2014.

Essential Recommendations

The Metlakatla Indian Community has not met all of the essential capacity indicators. In order to meet them, the utility must take the following actions:

- Adopt a FY14 balanced and realistic budget;
- List all revenues and expenses for the utility in the budget;
- Provide monthly financial reports to the council monitoring the progress of the budget through a profit and loss budget and actual format; and
- Adopt and actively follow a collection policy.

Sustainable Recommendations

In addition to the Essential Recommendations, the Metlakatla Indian Community can work to improve Sustainable Indicators in the areas of “Utility Finance” and “Personnel System.”

It is recommended that:

- Ensure all year to date revenues are equal to or above the budgeted amounts;
- Ensure all year to date expenses are equal to or below the budgeted amounts;
- Complete budget amendments and adopt as necessary; and
- Provide adequate written job descriptions for all positions

Conclusion and Next Step

By implementing the above recommendations, the Metlakatla Indian Community will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

Metlakatla Indian Community staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.